VA Lenders Handbook (VA Pamphlet 26-7), Chapter 1, Topic 7 — How a Supervised or Non-supervised Automatic Lender

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7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent Change Date February 1, 2019 • This chapter has been revised in its entirety. a. Limitations on Use of Agents A lender must request VA recognition of an ongoing relationship with an agent. The lender may designate any individual or entity as an agent to perform loan-related functions on its behalf or in its name. The extent of the relationship between the lender and the agent is at the lender's discretion and the following lender responsibilities must be met: • The lender must accept full responsibility for the acts, errors, or omissions of the agent in processing and/or closing loans. • The lender accepts this responsibility by certification on VA Form 26-1820, Report and Certification of Loan Disbursement, and the corporate resolution. • The lender may not subsequently claim that it should not be held accountable for inaccurate or fraudulent credit information or other loan data because it relied on the agent. • Irregularities resulting from acts or omissions of the agent are treated as acts or omissions of the lender. • The lender's use of an agent will not prevent VA from taking actions in appropriate cases such as denial of liability, claim adjustments, collection of the amount of any loss incurred due to irregularities, and imposition of sanctions against both the lender and the agent. If the lender is a non-supervised automatic lender, loans made by an agent on its behalf which are closed automatically must be reviewed and approved by a VA-approved underwriter employed by the lender. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-21 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued b. How to Request VA Recognition of an Agent To begin a relationship with an agent, submit a request for recognition of the agent relationship to the VA office with jurisdiction over the lender's home office. Include a corporate resolution which contains: • the agent's name, address, telephone, e-mail address, and Federal Tax ID number, • the agent's function(s) (such as, taking the loan application, ordering the credit report and verifications of employment and deposit, holding settlement), • a statement that the lender takes full responsibility for all acts, errors, or omissions of the agent and its employees, and • if the agent will enter into interest rate lock-in agreements on the lender's behalf, a statement that the lender will honor the lock-in. Note: A conditional loan purchase agreement, wherein the lender agrees only to purchase the agent's production subject to the lender's review and approval, is unacceptable. Also include a fee of $100 for each agent with the request. The lender may begin to use an agent after VA sends recognition of the relationship to the lender in writing. Even with formal VA recognition, the lender must identify the agent and its function on VA Form 26-1820, Report and Certification of Loan Disbursement, for each loan. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-22 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued c. Lenders That use a Multitude of Agents Lenders that use a multitude of agents on an ongoing basis may submit a "blanket" corporate resolution that contains: • the

agents' function(s) (such as, taking the loan application, ordering the credit report and verifications of employment and deposit, holding settlement), • a statement that the lender takes full responsibility for all acts, errors, or omissions of its agents and agents' employees, • if agents will enter into interest rate lock-in agreements on the lender's behalf, a statement that the lender will honor the lock-in, and • the identity of the officer(s) of the lender who is (are) delegated authority to request recognition of additional agents under the "blanket" corporate resolution and delete agents. Even using a "blanket" corporate resolution, a request for VA recognition must be made for each new agent and appropriate fees paid. Include the agent's name, address, telephone number, e-mail address, Federal Tax ID number and refer to the "blanket" corporate resolution, giving the date the board adopted it. The lender may begin to use an agent after VA sends recognition of the relationship to the lender in writing. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-23 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued d. How to Complete VA Form 26-1820 If the loan is closed and funded by the lender (not the agent), or an agent conducts the closing but a sponsoring lender buys (funds) the loan at closing (commonly called table funding), enter the: • lender's VA ID number in item 2B, and • name and function of the agent in item 24J. Note: The lender must complete items 25 and 26. If the loan is closed and funded in the agent's name pursuant to an agent agreement, enter the following: • agent's VA ID number in item 2B • name and function of the agent in item 24J, and • agent's name, followed by the words "agent for (lender's name)," and agent's address in 25A. Note: The agent must complete items 25 and 26. e. Enter Both ID Numbers on VA Form 26-0286 VA Form 26-0286, VA Loan Summary Sheet, contains spaces marked "Lender VA ID Number" and "Agent VA ID Number (if applicable)." Always enter both ID numbers if an agent has performed any function(s) on behalf of the sponsoring lender in connection with the loan. f. Who is the LGC Issued to? VA will issue the Loan Guaranty Certificate (LGC) to the sponsoring lender in WebLGY. Continued on next page VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-24 7. How a Supervised or Non-supervised Automatic Lender Requests VA Recognition of an Agent, continued g. When Can an Agent Close Loans Automatically? If the lender has automatic authority, its agent can close loans automatically on its behalf. This can be done to the extent the loans could be closed automatically if made by the lender, provided VA requirements for recognition of an agency relationship and reporting it on VA Form 26-1820, Report and Certification of Loan Disbursement, have been complied with. If the lender is a non-supervised automatic lender, this means all loans must be reviewed and approved by a VA-approved underwriter employed by the lender. Exception: The underwriter's certification must appear on VA Form 26-6393, Loan Analysis, as required for VA loans closed on the automatic basis that do not involve agents. h. Prior Approval Lenders If the lender does not have automatic authority, they may not use the services of an agent. Follow prior approval procedures in Chapter 5 of this handbook. VA Pamphlet 26-7, Revised Chapter 1: Lender Approval Guidelines 1-25

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